

## **Recalibration and Adaptation: China's Relations with her Key Neighbors during the Trump Era**

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After becoming the leader of China in late 2012 Xi Jinping rapidly launched his signature foreign-policy campaign—the Belt and Road Initiative—to project China's economic and geopolitical influence. Whether the BRI has improved China's external environment, especially in its immediate periphery, will be subject to debate for years to come. However, the U.S. threat perception of China as a result of the BRI has unequivocally heightened, leading to the Trump administration's Indo-Pacific strategy since 2017. In an era defined by U.S.-China great power strategic competition, a central theme of Xi's foreign policy has been a recalibration and realignment of relations with Asian countries in order to effectively counter the U.S. role in Asia. As a result, China has adapted its policy to pursue a closer alignment with a like-minded Russia, to improve relations with India to prevent a potential U.S.-India alliance in Asia, to steer the souring relations with Japan toward cooperation, and to consolidate Southeast Asia as part of China's sphere of influence.

Long before Xi's ascension, there were strategic debates in China's foreign-policy community about whether the great power (i.e., the U.S.) or China's periphery (i.e., Asia) should be the top priority in China's foreign policy. Proponents of the former contended that good relations with the United States would reduce the probability that Washington would propel China's Asian neighbors against Chinese national interests. Proponents of the latter argued that only good relations with its Asian neighbors could prevent them from becoming puppets of Washington against China. Whereas Xi's predecessors had largely prioritized great power relations (with the U.S.), Xi is placing a priority on China's periphery in Asia. His signature foreign-policy campaign, the Belt and Road Initiative, elevates Asia to an unprecedented status in China's overall foreign strategy.

To codify Asia's special role, one month after China formally introduced the Belt and Road Initiative, the Central Committee of the Chinese Communist Party held the first Periphery Diplomacy Work Conference in October 2013, which pinpointed “the key role the periphery plays in China's overall development and foreign strategies.”<sup>1</sup>In an elaboration of Xi Jinping's foreign-policy thinking and periphery diplomacy, China defined its periphery as “the anchor of China's existence and survival, the foundation of its development and prosperity, and the starting point of great power diplomacy with Chinese characteristics.”<sup>2</sup>

Xi's ambitious plan to expand China's influence throughout Eurasia has not gone unnoticed by the U.S. strategic community. In fact, it has directly led to a U.S. determination that China is launching a direct challenge to the existing international order and is embarked on coercing its neighboring countries through military modernization, influence operations, and predatory economics to reorder the Asian region. In the Indo-Pacific region, according to the Trump administration's national-security strategy, China is identified as seeking to “displace the U.S . . . , expand the reaches of its state-driven economic model, and reorder the region in its favor.”<sup>3</sup>As

the overall tone toward China soured, the U.S. foreign policy apparatus mobilized to target its long-term strategic competition with China as its principal priority.

The drastic deterioration of U.S.-China relations during the past two years has had a determining impact on China's calibration of relations with key Asian countries. For China, the foremost priority is to prevent the emergence of a regional anti-China coalition led by the U.S. in the Indo-Pacific strategic framework. To counter U.S. encroachment, Xi has sought to build his own coalition of like-minded countries to counter the U.S. strategy, exploiting the vulnerability and weaknesses in Trump's trade and other policies.

Specifically, Xi enhanced Sino-Russian relations to a historical high and began to pursue strategic coordination with emerging signs of a coalition. Shifting from a seven-year-long freeze of relations with Japan due to the 2012 Senkaku/Diaoyu Islands crisis, relations with Japan rapidly thawed with the beginning of the trade war with the U.S. To prevent the emergence of a U.S.-India alignment/alliance, Xi surprisingly swallowed the humiliation of the Doklam standoff and pursued detente with Modi. In Southeast Asia, China aggressively consolidated its economic pledges and political ties. Not all these efforts have been successful, and some have even created new sources of friction. However, an understanding of how Xi is countering great power competition with U.S. in Asia is important for the development of an effective U.S. strategy.

### **Sino-Russian relations: From alignment to coalition**

China and Russia are both singled out as revisionist powers and long-term strategic challenges to U.S. national interests, based on the key security documents of the Trump administration—the U.S. National Security Strategy released in 2017 and the Department of Defense National Defense Strategy released in 2018. This grouping by the U.S. naturally puts China and Russia in a similar mindset in terms of assessing their external environments and their relations with the U.S. During the past two years, China and Russia have expedited their strategic coordination, demonstrating early signs of coordinated military actions or, at a minimum, signs of an anti-U.S. coalition. Most observers formerly perceived the Sino-Russian alliance as a “marriage of convenience” based on expediency. However, the convergence of Chinese and Russian strategic goals has rapidly evolved beyond this traditional definition.

Xi and Putin have a shared sense of strategic vulnerability and frustration about their relations with the U.S. under Trump. For Xi, the Trump administration's trade war with China and the great power competition aims at best to deny China's continued rise and its strategic space and access in Asia and at worst seeks to contain China. For Russia, Trump's promised affinity with Putin has not translated into an improvement in relations between Washington and Moscow. With the widely known Russian interference in U.S. domestic politics, U.S.-Russian clashes over Syria and Venezuela, as well as the demise of the INF Treaty, bilateral relations between the U.S. and Russia have reached a new low.

The resulting strategic coalition between China and Russia manifests itself on many fronts. At the bilateral level, senior-level visits have soared, demonstrating a strong sense of mutual support among the top leaders. Xi has engaged in more official visits with Russia than with any other country since his ascension to power.<sup>4</sup> In 2018 alone, Xi and Putin hosted eight official meetings on bilateral and multilateral occasions. Russia is the only country that has established a

“comprehensive strategic cooperative partnership” with China, the highest level partnership that China has with any foreign country, signifying cooperation on critical issues such as military and coordination/alignment of positions on international affairs.<sup>5</sup> In light of the escalation of the trade war with the U.S. and the deterioration of U.S.-Russian relations, China has sought to establish a closer alignment and to take bold joint actions with Russia that potentially might indicate elements of an emerging alliance relationship vis-à-vis the U.S. Days after China provocatively retracted from the negotiated trade deal with the U.S. in May 2019, Xi Jinping visited Russia and the two sides countered the U.S. with the elevation of their bilateral relations to a “comprehensive strategic cooperative partnership in the new era.”<sup>6</sup> Within weeks of this elevation, the Chinese and Russian air forces conducted their first joint patrol in the Asia-Pacific region, with strategic bombers and airborne early-warning aircraft in Northeast Asia.<sup>7</sup> The Russian Ministry of Defense has stated that in the future such joint patrols will be regularized. In the context of the U.S. withdrawal from the INF Treaty, the joint patrol by strategic bombers suggests a convergence of positions between China and Russia on nuclear issues and strategic stability, vital to their respective national security.

China and Russia have coordinated their positions on international intervention in hotspot areas, such as the civil war in Syria or the political crisis in Venezuela. They have jointly cast six vetoes against draft UN Security Council resolutions on Syria, the latest of which was in February 2017. Most recently, in February 2019, they jointly vetoed a UN resolution supported by the U.S. to call for elections in Venezuela.<sup>8</sup> Opposition to UN intervention in the internal affairs of Syria and Venezuela is fundamentally shaped by Chinese and Russian perceptions that in the name of humanitarian intervention the U.S. is attempting to overthrow the authoritarian governments.

Under Xi, the “comprehensive strategic cooperative partnership” has been effective. In recent years, China and Russia have contributed reciprocal support to each other’s vital political agendas, including Russia’s annexation of the Crimea and China’s positions on the South China Sea.<sup>9</sup> Currently, their strategic coordination is moving beyond the political arena to the military and security areas. This is where early signs of a partial mutual defense and joint military operations are emerging. In the midst of escalating tensions between Moscow and the West over accusations of Russian interference in Western affairs and conflicts in Ukraine and Syria, China participated in Russia’s largest ever Vostok military exercise in September 2018. Despite NATO condemnation of the show of force as a rehearsal for a large-scale conflict, the Chinese sent 3,200 troops to demonstrate support of the Russian strategic agenda.<sup>10</sup> Joint naval exercises have also regularly taken place in waters close to the Chinese mainland, and in 2017 the two countries decided to move their naval exercises to the Baltic Sea, signaling China’s endorsement of Russia’s military posture in Europe. This new trend is based on an established track record of Russian support for China’s position in the East and South China Seas. In 2016, within two months of the ruling by the international tribunal, China and Russia launched the largest ever joint naval exercise in the South China Sea, a show of force aimed at deterring potential U.S. actions boosted by the tribunal ruling.<sup>11</sup> In the East China Sea, joint military actions went beyond joint naval exercises. Russia and China tacitly coordinated their naval voyages into the contiguous waters of the disputed Senkaku/Diaoyu islands.<sup>12</sup>

Although China and Russia have both denied the possibility of a military alliance targeting a third party, Xi and Putin are rapidly moving toward deeper security cooperation and military coordination that can best be characterized as a coalition based on developments during the past

two years. Instead of formal agreements that call for specific joint actions and responses to defined situations, China and Russia are coalescing and uniting in their joint positions vis-à-vis the United States. The United States, or the threat perception of the U.S., has been the determining variable in both countries' calculations regarding their decisions for a mutual alignment. It is expected that as their threat perceptions of the U.S. are exacerbated, the Sino-Russian coalition will become increasingly comprehensive in the foreseeable future.

### **Sino-Japanese relations: From enemy to frenemy?**

Considering the changing U.S.-China relations since 2017, Xi also reoriented his strategy toward Japan, China's long-term competitor in East Asia. Of course, this change began with the Japanese government's decision to nationalize the Senkaku/Diaoyu islands in 2012. Two factors have made it both necessary and possible for Xi to improve relations with Japan: the U.S. factor and Japan's attitude toward the Belt and Road Initiative.

The Trump administration's Asia and trade policies have had a major impact on both Chinese and Japanese calculations of their national interests, cultivating a mutual need to improve relations and to pursue mutually beneficial cooperation. In Japan, President Trump's policy has produced a great sense of frustration and unpredictability over the future of U.S.-Japan relations. Trade protectionism prompted Trump to impose or threaten to impose tariffs on Japanese products, ranging from steel to automobiles, to address the U.S. trade deficit. Most recently, Trump demanded that Japan increase its imports of U.S. agricultural products as part of a trade deal.<sup>13</sup> On regional and security policies, President Trump has withdrawn the U.S. from the Trans-Pacific Partnership, Japan's key regional economic framework and has repeatedly criticized the U.S.-Japan Security Alliance, the linchpin of Japan's national-security strategy. These unfavorable directions in U.S. policy have increased uncertainties about Japan's external environment, raising a fundamental question about the validity and wisdom of a confrontational policy with China, Japan's largest neighbor and greatest competitor in the region. Meanwhile, as the Trump administration continues the trade and technology wars with China, China has begun to reconsider the strategic utility of Japan through a different lens and in a context of hostile competition with the U.S. When trade, access to advanced technologies, and cooperation venues are at the risk of coming to an end, China is being forced to reconsider its hostile relationship with Japan.

If the changing U.S. policy has made Sino-Japan cooperation necessary, Japan's changing attitude toward the Belt and Road Initiative, which China sees as a test of Japan's policy toward China, has made it possible. In 2015, Japan's refusal to join the China-led Asian Infrastructure Investment Bank was perceived by China as a signature example of Japan's rejection of China's rise. However, since the beginning of 2017 Japan's attitude toward the BRI began to change subtly but decisively, as shown by the Abe administration's participation in the first Belt and Road Forum in Beijing in May and a series of positive comments about future BRI cooperation with China during the following months.<sup>14</sup>

With the resumption of visits by senior leaders, bilateral relations officially normalized. In May 2018, Chinese Premier Li Keqiang visited Japan and reached an agreement to pursue cooperation in third party countries.<sup>15</sup> More details emerged during Abe's visit to Beijing five months later, the first such visit in seven years.<sup>16</sup> During the trip, more than 50 agreements totaling 18 billion USD were signed between Japanese and Chinese companies.<sup>17</sup> At the government level, China

and Japan established a “working mechanism on the promotion of Sino-Japan cooperation on third party markets,” which includes multiple government agencies and policy banks responsible for foreign investment on both sides. Bilateral consultations on cooperation rapidly also took place on Southeast Asia, a priority region for both Chinese and Japanese overseas development efforts. In Thailand in particular, China and Japan have identified the Thai Eastern Economic Corridor as the first signature project for China and Japan to jointly finance and develop local infrastructure and development programs.<sup>18</sup>

With the warming of bilateral ties, China seems to be taking measures to manage sensitive issues with Japan, especially regarding the Senkaku/Diaoyu dispute. For example, in preparation for Xi Jinping’s state visit to Japan in 2020, the Chinese government is taking measures to prevent Chinese fishermen from fishing in waters surrounding the disputed islands.<sup>19</sup> The Chinese media and policy community have also reversed their previous hardline, hostile tone toward Japan and instead have tried to build up a highly positive momentum, a sharp contrast to the narrative in the previous year.

Is the current improvement in Sino-Japanese relations sustainable? Neither China nor Japan is optimistic. Since diplomatic normalization between China and Japan in 1972, bilateral relations have been characterized by cycles of gradual rises and sharp falls. Xi’s Japan policy has not escaped this historical pattern. China’s current improvement in relations with Japan reflects practical considerations on Xi’s part. The adjustment was necessitated by China’s need for Japanese knowledge and financial contributions to quality infrastructure projects under the Belt and Road Initiative and alternative sources of technologies and market access due to the U.S.-China trade war. It was also made possible by Japan’s changing calculation considering President Trump’s trade protectionism and potential retrenchment from Asia.

However, for the time being the thaw in relations has been out of expediency for both countries, and the third-party market cooperation is limited in both scope and depth. More importantly, neither China nor Japan is able to change the fundamental structural conflicts regarding long-term competition for regional leadership or the irreconcilable disputes, including the territorial disputes and the historical issue. Furthermore, neither China nor Japan is under any illusion that Japan will abandon its security alliance with the U.S. As Washington’s approach toward the region continues to shift, Japan’s alignment choices are expected to change as well.

### **Sino-India relations: From the Doklam crisis to detente**

Traditionally, China’s policy toward India has consisted of at least three layers of considerations. Within the South Asia region, China maintains close ties with Pakistan and has developed relations with other countries in order to counterbalance what is perceived as India’s regional hegemonism. On the broader Asian regional level, China sees India’s potential alignment with the United States as a threat and therefore guards against any emerging signs of such a development. On the global level, China sees the need to cooperate with India as partners to counterbalance the global north (the developed countries), especially with respect global development and governance agendas. There are innate tensions and conflicts within the directions of these three layers. For example, China’s policy toward India constantly swings between the desire to expand into India’s sphere of influence in South Asia and the need to prevent antagonizing India so that it will not join the U.S. coalition against China. Another factor that undermines China’s effective dealing with India has been China’s psychological superiority

vis-à-vis India due to the differences in their comprehensive national power.<sup>20</sup> More directly, Chinese policy experts, along with the general public, generally see India as a backward and ineffective country with crippling internal problems and capacity deficiencies.

This superiority complex toward India took its toll in Xi's handling of the 2017 Doklam crisis, a watershed event in Xi's policy toward India. During the two-month military standoff, despite Beijing's escalation of diplomatic rhetoric, war threats, and military posturing, Xi was not able to coerce India to withdraw unilaterally from the tri-junction area among China, India, and Bhutan. The questions raised were not only about whether Beijing miscalculated India's strategic resolve but also about whether Xi's assertive and expansionist Asia policy had created more enemies than friends. Despite China's "generosity" under the Belt and Road Initiative, no countries in South Asia or Asia stood up to support China's positions or offered to mediate a face-saving way out for China. In the end, Beijing's coercive strategies were thwarted and Xi had to accept a rather humiliating diplomatic agreement and withdraw from the disputed area.

Although both China and India agreed to stand down in Doklam, most Chinese observers were expecting China's relationship with India to suffer an irreversible downturn for the years to come due to Xi's vindictive personality and the reputational damage he endured both domestically and internationally. However, to the great surprise of many several months after the Doklam standoff, China's policy toward India took a 180-degree turn and Beijing began to enthusiastically promote a rapid Sino-Indian detente. In 2018, Xi extended invitations for four meetings with Modi (in Wuhan in April, at the Shanghai Cooperation Organization summit in Qingdao in June, during the BRICS summit in South Africa in July, and during the November G20 summit), a key sign of leadership diplomacy and of the high importance attached to India. Along with China, India is hailed as "an important engine of world economic growth and a pillar to promote political multilateralization and economic globalization."<sup>21</sup> Keen on gaining India's strategic trust, for the first time in recent history, Xi indirectly has acknowledged India's status as a peer with China.

It was the Indo-Pacific strategy of the Trump administration, launched three months after the Doklam crisis, that promoted this sudden change of course in Xi's India policy. As the great power competition with China became the theme of the U.S. national-security strategy, the souring Beijing-Delhi relationship and India's strategic importance as a regional partner to counter China's expansion into South Asia and in the Indian Ocean rapidly emerged as a U.S. priority. In order to entice India, during a historical visit to India by Secretary of State Pompeo and Secretary of Defense Mattis, the two militaries signed a Communications Compatibility and Security Agreement, a foundational accord for the U.S. to serve as a framework for military cooperation with other countries.<sup>22</sup>

The potential that India would shift its external alignments created a great deal of anxiety in Beijing and led to the 180-degree change of direction. China extended an unprecedented level of goodwill to Indian leaders at bilateral summits, including the four meetings between Xi and Modi in 2018. At the working level, foreign, defense, and border consultations accelerated. Within the four months between August and December 2018, China sent its defense minister to India for the first time in six years, held the 9<sup>th</sup> round of bilateral defense security consultations as well as the 21<sup>st</sup> round of border negotiations, organized the first Sino-Indian counterterrorism joint training exercise since Doklam, and created a new high-level people-to-people and cultural exchange mechanism with India. In order to demonstrate the potential for cooperation on

regional affairs and reduce the tensions created by Sino-Indian competition, China actively pursued the idea of bilateral cooperation in Afghanistan, culminating in joint training of Afghan diplomats in late 2018.<sup>23</sup> In sharp contrast to China's criticisms of India for its rejection of the Belt and Road Initiative and China's biannual Belt and Road Forum in 2017, Chinese media and the policy community demonstrated a high level of tolerance and understanding of the Indian reservations and unwillingness to participate in the Belt and Road Forum in 2019. China's courting of India even extended to the traditional "untouchable" sphere of China's support of Pakistan. In May 2019, as a significant gesture of goodwill, China made a major concession and acquiesced to the Indian demand that Masood Azhar, the leader of the Jaish-e-Mohammad group, be designated as a terrorist at the UN, a move that China had vetoed for years.<sup>24</sup>

In all fairness, Xi's efforts to repair ties with India have produced some concrete results. Most importantly, Modi has not embraced the American definition of the Indo-Pacific strategy and instead he has stressed the "inclusiveness" of the Indo-Pacific region.<sup>25</sup> Although Modi seems to be pleased with the American emphasis on India's strategic importance, he is unwilling to abandon a partnership with China or to join an anti-China coalition. Although Xi might remain optimistic about a positive trajectory for Sino-Indian relations in the foreseeable future, just as in Japan the long-term prospects of Sino-Indian relations remain fraught with emotional distrust, territorial disputes, a serious trade imbalance, and near-term regional competition and long-term structural conflicts. Fears of an U.S.-Indian coalition have temporarily softened Xi's approach toward India. However, the deeper issues between the two countries do not yet allow for any real possibility of a resolution.

### **Southeast Asia: Winning/buying hearts and minds?**

A priority area for Xi Jinping is Southeast Asia where China seeks to consolidate its dominance vis-à-vis U.S. regional influence. Southeast Asia, especially the Indochina peninsula, is seen as a natural extension of Chinese territory and an indispensable component of China's sphere of influence. Since 2010, Southeast Asia has been at the center of China's competition with the U.S. for regional influence. China sees the U.S. as the primary instigator of the crises between China and the Southeast Asian countries, including the emboldening of Vietnam and the Philippines in their claims in the South China Sea, the fostering of democratization and the people's wills in Myanmar against a Chinese presence, and promoting regional economic and regulatory frameworks to isolate, or at least to manage, Chinese activities, such as the U.S.-led Trans-Pacific Partnership and the Lower Mekong Initiative.

Southeast Asia has long relied on the dichotomy between economic cooperation with China and security cooperation with the U.S. to balance the ambitions and strategies of the two great powers. In order to bring the region closer into the Chinese orbit, the Belt and Road Initiative identifies Southeast Asia as a primary destination to enhance the penetration of Chinese infrastructure networks throughout the region. Through infrastructure loans and development, China will be able to obtain critical leverage over mainland Southeast Asian countries such as Laos and Myanmar and to enhance its influence and relations with maritime Southeast Asia, including the Philippines, Malaysia, and Indonesia. The infrastructure projects, or at least the promise of infrastructure projects, have emerged as a symbol of China's hegemonic benevolence, which is aimed at winning the hearts and minds of the Southeast Asian governments and people.

This statement is particularly true in the case of the Philippines. China's relationship with the Philippines took a roller coaster ride with Manila's government transition in 2016. The relationship hit a historical low under the Aquino III government (2010–16) primarily due to the South China Sea disputes, especially the Scarborough Shoal standoff in 2012 and the international arbitration in 2016. According to Wu Shicun, president of the South China Sea Studies Institute in Hainan province, the Aquino III's "aggressiveness" in the South China Sea disputes made the Philippines the most "provocative and audacious" actor in the "internationalization of the South China Sea issue."<sup>26</sup> But after the change of government in 2016, President Duterte adopted an approach that was a completely different from that of his predecessor. Duterte identifies the South China Sea disputes as a bargaining chip to receive Chinese economic assistance to boost his domestic development agenda. He has not resorted to the ruling by the international tribunal that is highly favorable to the Philippines, and instead he has sought to cater to China's demand by shelving the disputes and seeking cooperation on economic development.

China was extremely pleased by Duterte's change of heart and rewarded his friendship with generous economic packages, or at least the promises of economic packages. During Duterte's first visit to China as president of the Philippines in October 2016, China put on the table a total of US\$24 billion in investment and loan pledges, more than 8 percent of the Philippine's GDP in that year.<sup>27</sup> In a rare "rainbow after the rain" state visit by Xi to the Philippines, China showered the Philippines with 29 cooperation agreements that covered joint oil and gas exploration, industrial development, currency swaps, and infrastructure development.<sup>28</sup> What must not have been completely satisfactory to Duterte, however, was China's evident intention to time the disbursement of the promised financing with Philippines' continued "good behavior" in the South China Sea, which has slowed down the pace of delivery. However, in 2018 Chinese investments in the Philippines reached US\$930 million, making China its no.1 foreign investor.<sup>29</sup>

In dealing with the other main claimant, Vietnam, Xi appears to emphasize communist party solidarity to manage the turbulence in bilateral ties. This was made possible by the political victory of Nguyen Phi Trong, a conservative ideologue in the Chinese view, over the pro-reform, pro-U.S. former prime minister Nguyen Tan Dung during the 12<sup>th</sup> Party Congress of the Vietnam Communist Party in 2016. To consolidate party-to-party solidarity and the two parties' management of the hotspot issue between the two governments, Xi Jinping chose Vietnam as the first destination during his foreign visit after the 19<sup>th</sup> Party Congress of the Chinese Communist Party. Efforts to stabilize Sino-Vietnam relations have been fruitful and during the past two years the South China Sea dispute has not caused a major disruption of bilateral relations. However, the thorn has never been completely removed and almost certainly will emerge periodically to derail the relations that China desires.

The thorny issue is not helped by the low level of economic cooperation between China and Vietnam despite the Chinese push. Due to anti-China sentiment in Vietnam and Vietnamese suspicions of Chinese intentions, China has never been able to make a breakthrough in its investments in Vietnam. By the end of 2017, total cumulative FDI from China in Vietnam was only US\$5 billion.<sup>30</sup> However, China is making an active push to boost bilateral trade, especially in the context of the U.S.-China trade war and the relocation of Chinese production centers to Southeast Asia.

Another Southeast Asian country where China's major policy moves have borne fruit in the past two years is Myanmar. China exploited Myanmar's Rohingya crisis in 2017 and emerged as the most powerful supporter of Myanmar's position in the humanitarian disaster, despite Western condemnation, sanctions, and isolation. This helped China regain its influence in the country, which had suffered significant damage during Myanmar's democratization process due to its pre-2011 support of the military junta. Riding the tide of Myanmar's lack of options, China formally introduced the concept of a China-Myanmar Economic Corridor (CMEC) in November 2017. The second bilateral economic corridor in the Belt and Road Initiative after the China-Pakistan Economic Corridor, the CMEC seeks to turn Myanmar into China's transportation network to Southeast Asia, South Asia, and the Indian Ocean. Also in 2017, Chinese FDI to Myanmar increased 300 percent— from US\$482 million to US\$1.395 billion.<sup>31</sup>

Visible progress has been observed in the implementation of the BRI in Myanmar during the past two years. After three years of delay, in August 2018 China and Myanmar finally reached an agreement over the Kyaukpyau deep seaport, China's strategic outpost in the Indian Ocean. A feasibility study of a Yunnan-Mandalay railway that will penetrate through the country's heartland was completed in May 2019. The railway is expected to split in two directions after completion of the first stage, eventually linking China to the west coast and the southern coast of Myanmar.

Even though the Chinese campaign to consolidate influence in Southeast Asia has continued for the past two years, the result is at best mixed. As the countries have become increasingly aware of the debt sustainability and financial vulnerability associated with Chinese projects, skepticism and rejections of the Chinese projects have spread. In Myanmar, the size of the aforementioned Kyaukpyau deep seaport was cut by 80 percent after three years of stalemate since the signing of the project.<sup>32</sup> Negotiations with Thailand over the Sino-Thai railway have continued for six years since 2013. However, to China's great dissatisfaction, by April 2019 only 3.5 km was completed along the 867 km-long Thai portion.<sup>33</sup> In Malaysia, the Mahathir government first suspended then renegotiated the controversial East Coast Rail Link to reduce its cost by 33 percent.<sup>34</sup> In Cambodia, Chinese-built Sihanoukville has provoked a massive public outcry about the illegal development, corruption, and the Chinese immigrants and their criminal activities. Instead of winning hearts and minds in Southeast Asia, China's mega infrastructure projects have become centers of local controversies, public resentment, and strategic anxieties. Although China commands unparalleled financial resources and political will to establish and modernize new and advanced transportation networks across Southeast Asia, its capacity is not matched by the more moderate abilities and aspirations of the Southeast Asian states. As the Southeast Asian countries become increasingly aware of the detrimental effects to their sovereignty, national security, and financial security, China is encountering new problems in its campaign to consolidate Southeast Asia within the Chinese orbit.

## **Conclusion**

Using the American definition, Xi Jinping is more what the Americans would call a foreign policy president. Compared to his lukewarm performance in terms of China's domestic economy and his historical regression regarding China's domestic politics, Xi's foreign policy has been active and assertive, generating more changes and varied results. Under Xi Jinping, China has altered its mantra of "keeping a low profile" and instead it has sought to enhance China's international status through an active and assertive foreign policy.

After assuming power in late 2012, Xi Jinping rapidly launched his signature foreign-policy campaign—the Belt and Road Initiative—to project China’s economic and geopolitical influence. Whether the BRI has improved China’s external environment, especially along its immediate periphery, will be subject to debate for years to come. However, the U.S. threat perception of China as a result of the BRI has unequivocally heightened, leading to the Indo-Pacific strategy of the Trump administration after 2017. In an era defined by U.S.-China great power competition for the strategic communities in both Washington and Beijing, a central theme of Xi’s foreign policy has been a recalibration and realignment of relations with Asian countries in order to effectively counter the U.S. role in Asia. As a result, China has adapted its policy to pursue a closer alignment with like-minded Russia, to improve relations with India to prevent a potential U.S.-Indian alliance in Asia, to steer the sour relations with Japan toward cooperation, and to consolidate Southeast Asia as China’s sphere of influence.

As China’s great power competition with the U.S. intensifies, it is foreseeable that Xi will devote even more resources to stabilize relations with China’s Asian neighbors along its immediate periphery. Although Xi has ostensibly improved ties with key countries in the Asian region, strategic fears and concerns continue to fester. At the same time, his efforts to establish dependence and influence have sowed seeds of grievances, vulnerability, and pushbacks. The Asian countries are calling for a more coherent and devoted U.S. policy toward Asia to better manage China’s rise. At this critical historical juncture, the need for an effective American grand strategy has never been more urgent.



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## Notes

<sup>1</sup> “Xi Jinping Delivers Important Speech at the Periphery Diplomacy Work Conference” [习近平在周边外交工作座谈会上发表重要讲话], Xinhua News Agency, October 25, 2013, [http://www.xinhuanet.com/politics/2013-10/25/c\\_117878897.htm](http://www.xinhuanet.com/politics/2013-10/25/c_117878897.htm).

<sup>2</sup> Kong Xuanyou, “Xi Jinping Foreign Policy Thoughts and the Theoretical and Practical Innovation of China’s Periphery Diplomacy” [习近平外交思想和中国周边外交理论与实践创新], *Qiushi*, August 2019, [http://www.qstheory.cn/dukan/qs/2019-04/16/c\\_1124364176.htm](http://www.qstheory.cn/dukan/qs/2019-04/16/c_1124364176.htm)

<sup>3</sup> “National Security Strategy of the United States of America,” December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

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